

**QUARTERLY STATEMENT**  
**OF THE**  
**Preferred Health Partnership of Tennessee, Inc.**

**of**  
**Knoxville**  
**in the state of**  
**Tennessee**

**TO THE**  
**Insurance Department**  
**OF THE STATE OF**  
**Tennessee**

**FOR THE QUARTER ENDED**  
**June 30, 2003**

**2003**

HEALTH QUARTERLY STATEMENT

AS OF June 30, 2003

OF THE CONDITION AND AFFAIRS OF THE

Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253	1253	NAIC Company Code	95749	Employer's ID Number	62-1546662
	(Current Period)	(Prior Period)				
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]		Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[X] No[ ]		Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]	
Date Incorporated or Organized	01/01/1994			Date Commenced Business	01/01/1994	
Statutory Home Office	1420 Centerpoint Blvd.			Knoxville , TN 37932		
	(Street and Number)			(City, or Town, State and Zip Code)		
Main Administrative Office	1420 Centerpoint Blvd.					
	(Street and Number)					
	Knoxville, TN 37932			(865)670-7282		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address	1420 Centerpoint Blvd.			Knoxville, TN 37932		
	(Street and Number or P.O. Box)			(City, or Town, State and Zip Code)		
Primary Location of Books and Records	1420 Centerpoint Blvd.					
	(Street and Number)					
	Knoxville, TN 37932			(865)670-7282		
	(City, or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Internet Website Address	~					
Statutory Statement Contact	Melissa R Anderson			(865)670-7282		
	(Name)			(Area Code)(Telephone Number)(Extension)		
	manders1@covhlth.com			(865)470-7461		
	(E-Mail Address)			(Fax Number)		
Policyowner Relations Contact	1420 Centerpoint Blvd.					
	(Street and Number)					
	Knoxville, TN 37932			(865)470-7470		
	(City, or Town, State and Zip Code)			(Area Code) (Telephone Number)(Extension)		

OFFICERS

President	Lance K. Hunsinger
Chief Financial Officer	Lance K. Hunsinger
Secretary	Jeffery S. Collake

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Stuart B. Baker MD Kenneth Truman Creed Michael McKay Dudley Randolph Murphree Lowry MD Cletus Joseph McMahon Jr. MD David A. Nowiski Anthony L. Spezia	Thomas Rowe Bell Daniel J. David MD Marvin H. Eichorn Kenneth Frederick Luckman MD Michael Earl Mitchell MD Francis H. Olmstead Jr.
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State of	Tennessee
County of	Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)	(Signature)	(Signature)
Lance K. Hunsinger	Lance K. Hunsinger	Jeffery S. Collake
(Printed Name)	(Printed Name)	(Printed Name)
President	Chief Financial Officer	Secretary
Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[ ]
day of , 2003	b. If no, 1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	
(Notary Public Signature)		

ASSETS

		Current Statement Date			4
		1	2	3	December 31, Prior Year Net Admitted Assets
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	
1.	Bonds .....	66,207,214		66,207,214	70,496,839
2.	Stocks:				
	2.1 Preferred stocks .....				
	2.2 Common stocks .....				
3.	Mortgage loans on real estate:				
	3.1 First liens .....				
	3.2 Other than first liens .....				
4.	Real estate:				
	4.1 Properties occupied by the company (less \$..... encumbrances) .....				
	4.2 Properties held for the production of income (less \$..... encumbrances) .....				
	4.3 Properties held for sale (less \$..... encumbrances) ..				
5.	Cash (\$.....3,380,800 and short-term investments \$.....)	3,380,800		3,380,800	3,776,349
6.	Contract loans (including \$..... premium notes) .....				
7.	Other invested assets .....				
8.	Receivable for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	69,588,014		69,588,014	74,273,188
11.	Investment income due and accrued .....	1,277,663		1,277,663	1,157,946
12.	Premiums and considerations:				
	12.1 Uncollected premiums and agents' balances in course of collection .....	308,932		308,932	2,518,183
	12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums) .....				
	12.3 Accrued retrospective premiums .....				
13.	Reinsurance:				
	13.1 Amounts recoverable from reinsurers .....				
	13.2 Funds held by or deposited with reinsured companies .....				
	13.3 Other amounts receivable under reinsurance contracts .....				
14.	Amounts receivable relating to uninsured plans .....				
15.1	Current federal and foreign income tax recoverable and interest thereon .....				
15.2	Net deferred tax asset .....				
16.	Guaranty funds receivable or on deposit .....				
17.	Electronic data processing equipment and software .....				
18.	Furniture and equipment, including health care delivery assets (\$.....) .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Receivables from parent, subsidiaries and affiliates .....	78,816	78,816		
21.	Health care (\$.....) and other amounts receivable .....				
22.	Other assets nonadmitted .....				
23.	Aggregate write-ins for other than invested assets .....	2,037,264		2,037,264	2,370,412
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	73,290,689	78,816	73,211,873	80,319,729
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	TOTALS (Lines 24 and 25) .....	73,290,689	78,816	73,211,873	80,319,729
DETAILS OF WRITE-INS					
0901	.....				
0902	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	A/R Risk Share .....	2,037,264		2,037,264	2,370,412
2302.	0 .....				
2303	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	2,037,264		2,037,264	2,370,412

**LIABILITIES, CAPITAL AND SURPLUS**

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded) .....	2,005,398		2,005,398	3,116,777
2.	Accrued medical incentive pool and bonus payments .....				
3.	Unpaid claims adjustment expenses .....				
4.	Aggregate health policy reserves .....	10,826,641		10,826,641	10,826,641
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserve .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....				
9.	General expenses due or accrued .....	13,080,043		13,080,043	13,746,682
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittances and items not allocated .....				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....	20,705,745		20,705,745	20,617,000
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured accident and health plans .....				
21.	Aggregate write-ins for other liabilities (including \$..... current) .....	14,082,990		14,082,990	14,082,990
22.	Total liabilities (Lines 1 to 21) .....	60,700,817		60,700,817	62,390,090
23.	Common capital stock .....	X X X	X X X	1,000	1,000
24.	Preferred capital stock .....	X X X	X X X		
25.	Gross paid in and contributed surplus .....	X X X	X X X	55,274,915	61,379,848
26.	Surplus notes .....	X X X	X X X		
27.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
28.	Unassigned funds (surplus) .....	X X X	X X X	(42,764,859)	(43,451,208)
29.	Less treasury stock, at cost:				
29.1	..... shares common (value included in Line 23 \$.....)	X X X	X X X		
29.2	..... shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30.	Total capital and surplus (Lines 23 to 28 minus Line 29) .....	X X X	X X X	12,511,056	17,929,640
31.	Total liabilities, capital and surplus (Lines 22 and 30) .....	X X X	X X X	73,211,873	80,319,730
DETAILS OF WRITE-INS					
2101.	Accrued Run-Out Costs .....	14,082,990		14,082,990	14,082,990
2102.	0 .....				
2103.	0 .....				
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....	14,082,990		14,082,990	14,082,990
2701	.....	X X X	X X X		
2702	.....	X X X	X X X		
2703	.....	X X X	X X X		
2798.	Summary of remaining write-ins for Line 27 from overflow page .....	X X X	X X X		
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....	X X X	X X X		

**STATEMENT OF REVENUE AND EXPENSES**

		Current Year To Date		Prior Year To Date
		1	2	3
		Uncovered	Total	Total
1.	Member Months .....	X X X	788,654	1,411,276
2.	Net premium income (including \$..... non-health premium income) .....	X X X	195,632	109,964,306
3.	Change in unearned premium reserves and reserves for rate credits .....	X X X		
4.	Fee-for-service (net of \$..... medical expenses) .....	X X X		
5.	Risk revenue .....	X X X		
6.	Aggregate write-ins for other health care related revenues .....	X X X	135	13,508
7.	Aggregate write-ins for other non-health revenues .....	X X X		
8.	Total revenues (Lines 2 to 7) .....	X X X	195,767	109,977,814
<b>Hospital and Medical:</b>				
9.	Hospital/medical benefits .....		2,409	51,534,383
10.	Other professional services .....		1,494	13,314,724
11.	Outside referrals .....			
12.	Emergency room and out-of-area .....			4,721,849
13.	Prescription drugs .....		(1,226,877)	19,195,524
14.	Aggregate write-ins for other hospital and medical .....		(31,527)	(4,143,708)
15.	Incentive pool and withhold adjustments .....			
16.	Subtotal (Lines 9 to 15) .....		(1,254,501)	84,622,772
<b>Less:</b>				
17.	Net reinsurance recoveries .....			
18.	Total hospital and medical (Lines 16 minus 17) .....		(1,254,501)	84,622,772
19.	Non-health claims .....			
20.	Claims adjustment expenses .....		776,002	5,273,180
21.	General administrative expenses .....		1,988,526	25,094,419
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....			
23.	Total underwriting deductions (Lines 18 through 22) .....		1,510,027	114,990,371
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X	(1,314,260)	(5,012,557)
25.	Net investment income earned .....		1,572,522	3,749,260
26.	Net realized capital gains or (losses) .....		428,088	910,387
27.	Net investment gains or (losses) (Lines 25 plus 26) .....		2,000,610	4,659,647
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
29.	Aggregate write-ins for other income or expenses .....			
30.	Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X	686,350	(352,910)
31.	Federal and foreign income taxes incurred .....	X X X		
32.	Net income (loss) (Lines 30 minus 31) .....	X X X	686,350	(352,910)
<b>DETAILS OF WRITE-INS</b>				
0601.	Other Revenue .....	X X X	135	13,508
0602.	.....	X X X		
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X	135	13,508
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	X X X		
1401.	Recoveries .....		(364,676)	(754,116)
1402.	Risk Share .....		333,149	(3,389,592)
1403.	.....			
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....		(31,527)	(4,143,708)
2901.	.....			
2902.	.....			
2903.	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year .....	17,929,639	18,282,548
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32 .....	686,350	(352,910)
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Net unrealized capital gains and losses .....		
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....		
39.	Change in nonadmitted assets .....		
40.	Change in unauthorized reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....	(6,104,933)	
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		
48.	Net change in capital and surplus (Lines 34 to 47) .....	(5,418,583)	(352,910)
49.	Capital and surplus end of reporting period (Line 31 plus 48) .....	12,511,056	17,929,638
DETAILS OF WRITE-INS			
4701	.....		
4702	.....		
4703	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

**CASH FLOW**

		1	2
		Current Year To Date	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance .....	2,404,883	114,089,856
2.	Net investment income .....	1,667,202	4,212,347
3.	Miscellaneous income .....	135	13,508
4.	Total (Lines 1 through 3) .....	4,072,220	118,315,711
5.	Benefit and loss related payments .....	(143,122)	108,783,164
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	3,009,273	15,721,336
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$..... net tax on capital gain (losses) .....		
10.	Total (Lines 5 through 9) .....	2,866,151	124,504,500
11.	Net cash from operations (Line 4 minus Line 10) .....	1,206,069	(6,188,789)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	21,274,839	37,857,526
12.2	Stocks .....		
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash and short-term investments .....		
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	21,274,839	37,857,526
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	16,771,523	31,837,982
13.2	Stocks .....		
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....	0	
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	16,771,523	31,837,982
14.	Net increase (decrease) in policy loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14) .....	4,503,316	6,019,544
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....	(6,104,933)	
16.3	Borrowed funds received .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(6,104,933)	
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Lines 11 plus 15 plus 17) .....	(395,548)	(169,245)
19.	Cash and short-term investments:		
19.1	Beginning of year .....	3,776,349	3,945,594
19.2	End of period .....	3,380,801	3,776,349

**EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION**

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year .....	131,280								131,280				
2. First Quarter .....	135,986								135,986				
3. Second Quarter .....	129,087								129,087				
4. Third Quarter .....													
5. Current Year .....													
6. Current Year Member Months .....	788,654								788,654				
Total Member Ambulatory Encounters for Period:													
7. Physician .....	461,416								461,416				
8. Non-Physician .....	226,377								226,377				
9. Total .....	687,793								687,793				
10. Hospital Patient Days Incurred .....	17,949								17,949				
11. Number of Inpatient Admissions .....	5,046								5,046				
12. Health Premiums Collected .....	2,404,833								2,404,833				
13. Life Premiums Direct .....													
14. Property/Casualty Premiums Written .....													
15. Health Premiums Earned .....	195,632								195,632				
16. Property/Casualty Premiums Earned .....													
17. Amount Paid for Provision of Health Care Services ...	(143,121)								(143,121)				
18. Amount Incurred for Provision of Health Care Services .....	(1,254,500)								(1,254,500)				

**CLAIMS PAYABLE (Reported and Unreported)**

Aging Analysis of Unpaid Claims						
1	2	3	4	5	6	7
Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 days	Over 120 Days	Total
<b>Individually Listed Claims Payable</b>						
PHPT Medical Claims .....					291,154	291,154
0199999 Individually Listed Claims Payable .....					291,154	291,154
0299999 Aggregate Accounts Not Individually Listed - Uncovered .....						
0399999 Aggregate Accounts Not Individually Listed - Covered .....						
0499999 Subtotals .....					291,154	291,154
0599999 Unreported claims and other claim reserves .....						1,714,243
0699999 Total Amounts Withheld .....						
0799999 Total Claims Payable .....						2,005,397
0899999 Accrued Medical Incentive Pool .....						

**UNDERWRITING AND INVESTMENT EXHIBIT**

**ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5  Claims Incurred in Prior Years (Columns 1+3)	6  Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		1	2	3	4		
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan Premiums ..	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid .....	..... (143,121)	.....	..... 2,005,398	.....	..... 1,862,277	..... 3,116,777
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8) .....	..... (143,121)	.....	..... 2,005,398	.....	..... 1,862,277	..... 3,116,777
10.	Other non-health .....	.....	.....	.....	.....	.....	.....
11.	Medical incentive pools, accruals and disbursements ..	.....	.....	.....	.....	.....	.....
12.	TOTALS .....	..... (143,121)	.....	..... 2,005,398	.....	..... 1,862,277	..... 3,116,777

**Notes to Financial Statement**

No significant changes or events have occurred since the most recent annual statement was filed.

17c)

WASH SALES

Not applicable

**GENERAL INTERROGATORIES**  
(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements?

Yes[ ] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[ ] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state?

Yes[ ] No[ ] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 3.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4. Have there been any substantial changes in the organizational chart since the prior quarter end?  
If yes attach an explanation.

Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....	.....	.....

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?  
If yes, attach an explanation.

Yes[ ] No[ ] N/A[X]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/12/2002
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/12/2002
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/12/2002
- 7.4 By what department or departments?  
Tennessee Department of Commerce & Insurance - TennCare Division
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes[ ] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
.....	.....	. Yes[ ] No[X]	. Yes[ ] No[X]	. Yes[ ] No[X]	. Yes[ ] No[X]	. Yes[ ] No[X]

**GENERAL INTERROGATORIES (continued)**

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

**INVESTMENT**

- 10.1

Has there been any changes in the reporting entity's own preferred or common stock?

Yes[ ] No[X]
- 10.2

If yes, explain:
- 11.1

Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[ ] No[X]
- 11.2

If yes, give full and complete information relating thereto:
12.

Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$.....
13.

Amount of real estate and mortgages held in short-term investments:

\$.....
- 14.1

Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[ ] No[X]
- 14.2

If yes, please complete the following:

	1 Prior Year-End Statement Value	2 Current Quarter Statement Value
14.21 Bonds .....		
14.22 Preferred Stock .....		
14.23 Common Stock .....		
14.24 Short-Term Investments .....		
14.25 Mortgages, Loans or Real Estate .....		
14.26 All Other .....		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....		
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....		
14.29 Receivable from Parent not included in Lines 14.21 to 14.26 above .....		

- 15.1

Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[ ] No[X]
- 15.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[ ] N/A[X]
16.

Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV, H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[ ]
- 16.1

For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
The Northern Trust Company .....	50 LaSalle Street, Chicago, IL 60675 .....
First Tennessee Bank .....	800 S Gay Street 4th Floor, Knoxville, TN 37929 .....

- 16.2

For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 16.3

Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes[ ] No[X]
- 16.4

If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 16.5

Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
108718 .....	Martin & Company .....	2 Centre Square, 625 S Gay St, Knoxville, TN 37902 .....

**SCHEDULE A - VERIFICATION**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....		
2.	Increase (decrease) by adjustment .....		
3.	Cost of acquired .....		
4.	Cost of additions to and permanent improvements .....		
5.	Total profit (loss) on sales .....		
6.	Increase (decrease) by foreign exchange adjustment .....		
7.	Amount received on sales .....		
8.	Book/adjusted carrying value at end of current period .....		
9.	Total valuation allowance .....		
10.	Subtotal (Lines 8 plus 9) .....		
11.	Total nonadmitted amounts .....		
12.	Statement value, current period (Page 2, real estate lines, current period) .....		

**SCHEDULE B - VERIFICATION**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year .....		
2.	Amount loaned during period:		
2.1	Actual cost at time of acquisitions .....		
2.2	Additional investment made after acquisitions .....		
3.	Accrual of discount and mortgage interest points and commitment fees .....		
4.	Increase (decrease) by adjustment .....		
5.	Total profit (loss) on sale .....		
6.	Amounts paid on account or in full during the period .....		
7.	Amortization of premium .....		
8.	Increase (decrease) by foreign exchange adjustment .....		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....		
10.	Total valuation allowance .....		
11.	Subtotal (Lines 9 plus 10) .....		
12.	Total nonadmitted amounts .....		
13.	Statement value of mortgages owned at end of current period .....		

**SCHEDULE BA - VERIFICATION**

Other Invested Assets Included in Schedule BA

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year .....		
2.	Cost of acquisitions during period:		
2.1	Actual cost at time of acquisitions .....		
2.2	Additional investment made after acquisitions .....		
3.	Accrual of discount .....		
4.	Increase (decrease) by adjustment .....		
5.	Total profit (loss) on sale .....		
6.	Amounts paid on account or in full during the period .....		
7.	Amortization of premium .....		
8.	Increase (decrease) by foreign exchange adjustment .....		
9.	Book/adjusted carrying value of long-term invested assets at end of current period .....		
10.	Total valuation allowance .....		
11.	Subtotal (Lines 9 plus 10) .....		
12.	Total nonadmitted amounts .....		
13.	Statement value of long-term invested assets at end of current period .....		

**SCHEDULE D - VERIFICATION**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	70,496,838	75,918,919
2.	Cost of bonds and stocks acquired .....	16,771,523	31,837,982
3.	Accrual of discount .....	22,602	
4.	Increase (decrease) by adjustment .....		(312,924)
5.	Increase (decrease) by foreign exchange adjustment .....		
6.	Total profit (loss) on disposal .....	428,088	910,387
7.	Consideration for bonds and stocks disposed of .....	21,274,839	37,857,526
8.	Amortization of premium .....	236,999	
9.	Book/adjusted carrying value, current period .....	66,207,213	70,496,838
10.	Total valuation allowance .....		
11.	Subtotal (Lines 9 plus 10) .....	66,207,213	70,496,838
12.	Total nonadmitted amounts .....		
13.	Statement value (Lines 11 minus 12) .....	66,207,213	70,496,838

**SCHEDULE D - PART 1B**  
**Showing the Acquisitions, Dispositions and Non-Trading Activity**  
**During the Current Quarter for all Bonds and Preferred Stock by Rating Class**

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	62,326,567	6,347,327	6,015,602	(27,578)	62,326,567	62,630,704		66,915,917
2. Class 2 .....	3,578,710			(2,211)	3,578,710	3,576,500		3,580,921
3. Class 3 .....								
4. Class 4 .....								
5. Class 5 .....								
6. Class 6 .....								
7. TOTAL Bonds .....	65,905,277	6,347,327	6,015,602	(29,788)	65,905,277	66,207,204		70,496,838
<b>PREFERRED STOCK</b>								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. TOTAL Preferred Stock .....								
15. TOTAL Bonds & Preferred Stock .....	65,905,277	6,347,327	6,015,602	(29,788)	65,905,277	66,207,204		70,496,838

**15     Schedule DA Part 1 - ..... NONE**

**15     Schedule DA Part 2 Verification - ..... NONE**

**16     Schedule DB Part F Section 1 - ..... NONE**

**17     Schedule DB Part F Section 2 - ..... NONE**

**18     Schedule S Ceded Reinsurance - ..... NONE**

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

**Allocated by States and Territories**

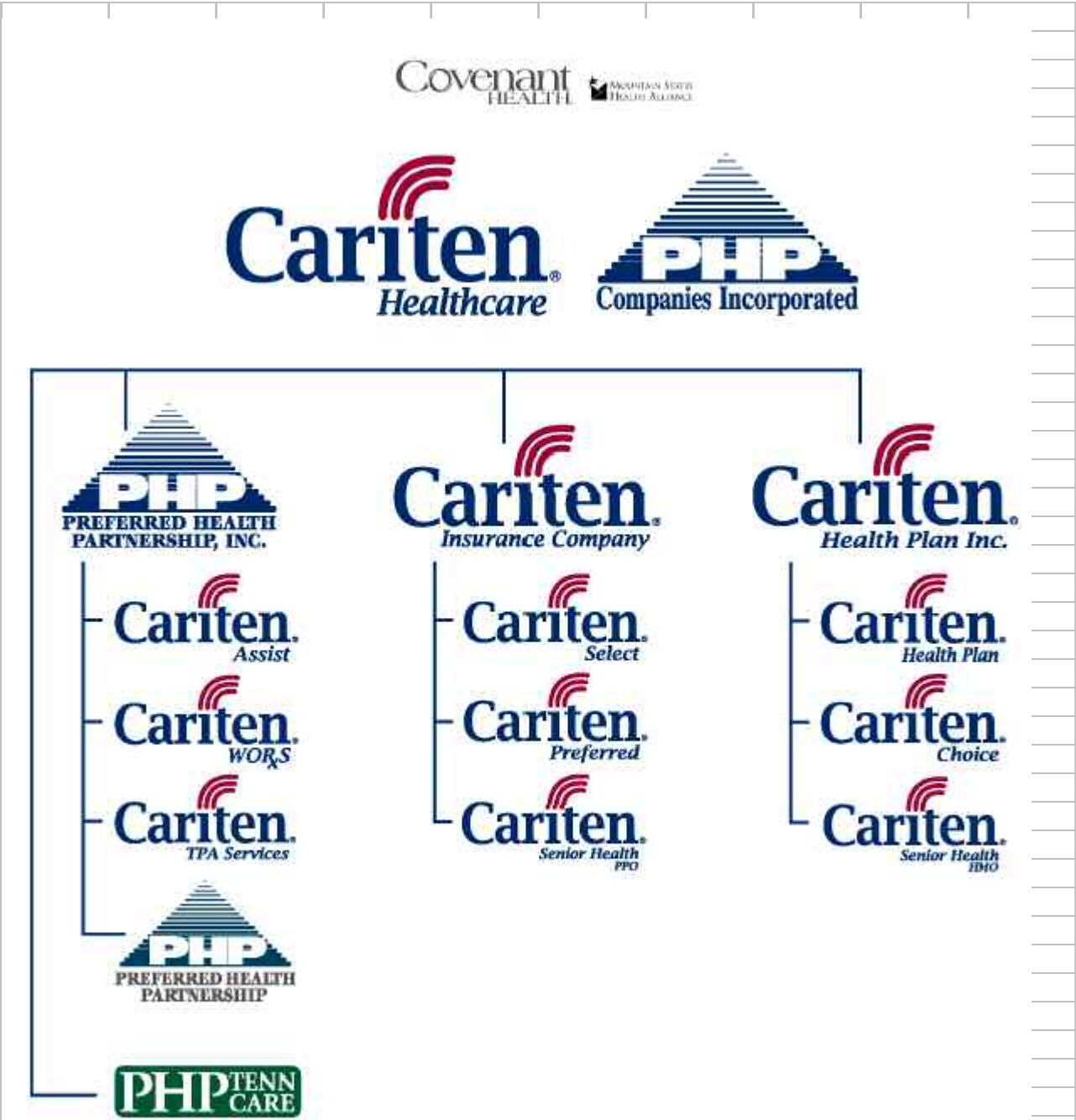
		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
				3  Accident and Health Premiums	4  Medicare Title XVIII	5  Medicaid Title XIX	6  Federal Employees Health Benefits Program Premiums	7  Life and Annuity Premiums and Deposit-Type Contract Funds	8  Property/ Casualty Premiums
	State, Etc.								
1.	Alabama (AL) .....	No	No						
2.	Alaska (AK) .....	No	No						
3.	Arizona (AZ) .....	No	No						
4.	Arkansas (AR) .....	No	No						
5.	California (CA) .....	No	No						
6.	Colorado (CO) .....	No	No						
7.	Connecticut (CT) .....	No	No						
8.	Delaware (DE) .....	No	No						
9.	District of Columbia (DC) .....	No	No						
10.	Florida (FL) .....	No	No						
11.	Georgia (GA) .....	No	No						
12.	Hawaii (HI) .....	No	No						
13.	Idaho (ID) .....	No	No						
14.	Illinois (IL) .....	No	No						
15.	Indiana (IN) .....	No	No						
16.	Iowa (IA) .....	No	No						
17.	Kansas (KS) .....	No	No						
18.	Kentucky (KY) .....	No	No						
19.	Louisiana (LA) .....	No	No						
20.	Maine (ME) .....	No	No						
21.	Maryland (MD) .....	No	No						
22.	Massachusetts (MA) .....	No	No						
23.	Michigan (MI) .....	No	No						
24.	Minnesota (MN) .....	No	No						
25.	Mississippi (MS) .....	No	No						
26.	Missouri (MO) .....	No	No						
27.	Montana (MT) .....	No	No						
28.	Nebraska (NE) .....	No	No						
29.	Nevada (NV) .....	No	No						
30.	New Hampshire (NH) .....	No	No						
31.	New Jersey (NJ) .....	No	No						
32.	New Mexico (NM) .....	No	No						
33.	New York (NY) .....	No	No						
34.	North Carolina (NC) .....	No	No						
35.	North Dakota (ND) .....	No	No						
36.	Ohio (OH) .....	No	No						
37.	Oklahoma (OK) .....	No	No						
38.	Oregon (OR) .....	No	No						
39.	Pennsylvania (PA) .....	No	No						
40.	Rhode Island (RI) .....	No	No						
41.	South Carolina (SC) .....	No	No						
42.	South Dakota (SD) .....	No	No						
43.	Tennessee (TN) .....	No	Yes			195,632			
44.	Texas (TX) .....	No	No						
45.	Utah (UT) .....	No	No						
46.	Vermont (VT) .....	No	No						
47.	Virginia (VA) .....	No	No						
48.	Washington (WA) .....	No	No						
49.	West Virginia (WV) .....	No	No						
50.	Wisconsin (WI) .....	No	No						
51.	Wyoming (WY) .....	No	No						
52.	American Samoa (AS) .....	No	No						
53.	Guam (GU) .....	No	No						
54.	Puerto Rico (PR) .....	No	No						
55.	U.S. Virgin Islands (VI) .....	No	No						
56.	Canada (CN) .....	No	No						
57.	Aggregate other alien (OT) .....	X X X	X X X						
58.	TOTAL (Direct Business) .....	X X X	(a)..... 1			195,632			
DETAILS OF WRITE-INS									
5701	.....	X X X	X X X						
5702	.....	X X X	X X X						
5703	.....	X X X	X X X						
5798.	Summary of remaining write-ins for Line 57 from overflow page .....	X X X	X X X						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above) .....	X X X	X X X						

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

All insurer members of a Holding Company Group that has acquired and/or disposed of any domestic insurer (s) since filing the last annual or quarterly statement shall prepare a common schedule for inclusion in each of the individual quarterly statements

PART 1 - ORGANIZATIONAL CHART



# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

1. Will the SVO Compliance Certification be filed with this statement?

**RESPONSES**

Yes

Explanation:

Bar Code:

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104. ....	.....	.....	.....	.....
2197. Summary of remaining write-ins for Line 21 (Line 2104 through 2196) .....	.....	.....	.....	.....

**E01      Schedule A Part 2 - ..... NONE**

**E01      Schedule A Part 3 - ..... NONE**

**E02      Schedule B Part 1 - ..... NONE**

**E02      Schedule B Part 2 - ..... NONE**

**E03      Schedule BA Part 1 - ..... NONE**

**E03      Schedule BA Part 2 - ..... NONE**

**SCHEDULE D - PART 3**

**Showing All Long-Term Bonds and Stocks ACQUIRED During Current Quarter**

1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation (a)
<b>Bonds - U.S. Governments</b>								
31359MQV8 .....	FNMA PREASSIGN .....	04/10/2003 ....	NORTHERN TRUST .....	X X X .....	1,053,339 .....	1,050,000 .....	7,343 .....	1PE .....
3134A4TE4 .....	FHLMC .....	05/29/2003 ....	NORTHERN TRUST .....	X X X .....	3,037,968 .....	3,000,000 .....	18,792 .....	1PE .....
0399999 Subtotal - Bonds - U.S. Governments .....					4,091,307 .....	4,050,000 .....	26,134 .....	.....
<b>Bonds - Industrial and Miscellaneous</b>								
38141GAZ7 .....	GOLDMAN SACHS GROUP INC .....	04/03/2003 ....	NORTHERN TRUST .....	X X X .....	1,139,340 .....	1,000,000 .....	15,851 .....	1 .....
36962GVM3 .....	GEN ELEC CAP CORP .....	05/19/2003 ....	NORTHERN TRUST .....	X X X .....	1,116,680 .....	1,000,000 .....	3,967 .....	1 .....
4599999 Subtotal - Bonds - Industrial and Miscellaneous .....					2,256,020 .....	2,000,000 .....	19,817 .....	.....
6099997 Subtotal - Bonds - Part 3 .....					6,347,327 .....	6,050,000 .....	45,952 .....	.....
6099998 Summary Item for Bonds Bought and Sold This Quarter .....					.....	.....	.....	.....
6099999 Subtotal - Bonds .....					6,347,327 .....	6,050,000 .....	45,952 .....	.....
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter .....					.....	.....	.....	.....
7099998 Summary Item for Common Stock Bought and Sold This Quarter .....					.....	X X X .....	.....	.....
7199999 Subtotal - Preferred and Common Stock .....					.....	X X X .....	.....	.....
7299999 Total - Bonds, Preferred and Common Stock .....					6,347,327 .....	X X X .....	45,952 .....	.....

(a) For all common stock bearing the NAIC designation "U" provide: the number of such issues .....

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of  
by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) On Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year	NAIC Desig- nation (a)
<b>Bonds - U.S. Governments</b>																
3136F22X5 .....	FNMA NT .....	05/21/2003	NORTHERN TRUST .....	X X X ...	3,005,500	3,000,000	3,009,030	3,014,014	(4,984)			(8,514)	(8,514)	17,000	X X X .....	1PE .....
0399999 Subtotal - Bonds - U.S. Governments .....					3,005,500	3,000,000	3,009,030	3,014,014	(4,984)			(8,514)	(8,514)	17,000	X X X .....	X X X .
<b>Bonds - Industrial and Miscellaneous</b>																
50075NAH7 .....	KRAFT FOODS INC .....	04/02/2003	NORTHERN TRUST .....	X X X ...	2,086,520	2,000,000	1,999,200	199,273	(20)			87,247	87,247	43,750	X X X .....	1 .....
4599999 Subtotal - Bonds - Industrial and Miscellaneous .....					2,086,520	2,000,000	1,999,200	199,273	(20)			87,247	87,247	43,750	X X X .....	X X X .
6099997 Subtotal - Bonds - Part 4 .....					5,092,020	5,000,000	5,008,230	3,213,287	(5,004)			78,733	78,733	60,750	X X X .....	X X X .
6099998 Summary Item for Bonds Bought and Sold This Quarter .....															X X X .....	X X X .
6099999 Subtotal - Bonds .....					5,092,020	5,000,000	5,008,230	3,213,287	(5,004)			78,733	78,733	60,750	X X X .....	X X X .
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter .....						X X X .....								X X X ...		X X X .
7099998 Summary Item for Common Stock Bought and Sold This Quarter .....						X X X .....								X X X ...		X X X .
7199999 Subtotal - Preferred and Common Stock .....						X X X .....								X X X ...		X X X .
7299999 Total - Bonds, Preferred and Common Stock .....					5,092,020	X X X .....	5,008,230	3,213,287	(5,004)			78,733	78,733	60,750		X X X .

(a) For all common stock bearing the NAIC designation "U" provide: the number of such issues .....

**E06      Schedule DB Part A Section 1 - ..... NONE**

**E06      Schedule DB Part B Section 1 - ..... NONE**

**E07      Schedule DB Part C Section 1 - ..... NONE**

**E07      Schedule DB Part D Section 1 - ..... NONE**

**SCHEDULE E - PART 1 - CASH**

Month End Depository Balances									
1			2	3	4	Book Balance at End of Each Month During Current Quarter			8
Depository			Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	5	6	7	
						First Month	Second Month	Third Month	*
open depositories									
Cash on Deposit .....	First Tennessee Bank .....			4,590		1,507,621	1,831,248	3,380,800	.
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories .....			X X X						.
0199999 Totals - Open Depositories .....			X X X	4,590		1,507,621	1,831,248	3,380,800	
0299998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories .....			X X X						.
0299999 Totals - Suspended Depositories .....			X X X						
0399999 Total Cash On Deposit .....			X X X	4,590		1,507,621	1,831,248	3,380,800	
0499999 Cash in Company's Office .....			X X X	X X X	X X X				
0599999 Total Cash .....			X X X	4,590		1,507,621	1,831,248	3,380,800	



# SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with performing all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

- 1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.
- 2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
- 3. All necessary information on securities which have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
- 4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware, which by its nature would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender’s collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions\_\_\_\_\_

Lance K. Hunsinger  
Name of Investment Officer

\_\_\_\_\_  
Signature of Investment Officer

President & CFO  
Title of Signatory

\_\_\_\_\_  
Date

# Statement of Actuarial Opinion

Statement of Actuarial Opinion being sent under separate cover.

**Amended Statement Cover**

**N O N E**

**INDEX TO HEALTH  
QUARTERLY STATEMENT**

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QUARTERLY DISKETTE TRANSMITTAL FORM AND CERTIFICATION  
 (HEALTH)

Name of Insurer
 Preferred Health Partnership of Tennessee, Inc.

Date
 62-1546662
 NAIC Group #
 1253
 FEIN
 NAIC Company #
 95749

THIS FORM IS REQUIRED FOR ALL DISKETTE TRANSMITTALS, PLEASE PROVIDE ANY ADDITIONAL COMMENTS THAT MAY  
 HELP TO IDENTIFY DISKETTE CONTENT

	First Quarter	Second Quarter	Third Quarter
A01. Is this the first time you've submitted this filing? (Y/N) .....	N/A .....	N/A .....	N/A .....
A02. Is this being re-filed at the request of the NAIC or a state insurance department? (Y/N) .....	N/A .....	N/A .....	N/A .....
A03. Is this being re-filed due to changes to the data originally filed? (Y/N) .....	N/A .....	N/A .....	N/A .....
(IF "YES" ENCLOSE HARD COPY PAGES FOR EACH CHANGE.)			
A04. Other? (Y/N) .....	N/A .....	N/A .....	N/A .....
(If "yes" attach an explanation.)			

B. Additional comments if necessary for clarification:

C. Diskette Contact Person:

Phone:

Address:

D. Software Vendor:

Version:

E. Have material validation failures been addressed in the explanation file? Yes[ ] No[X]

F. The undersigned hereby certifies, according to the best of his/her knowledge and belief: that the diskettes submitted with this form were prepared in compliance with the NAIC specifications, that the diskettes have been tested against the validations included with these specifications, and that quarterly statement information required to be contained on diskette is identical to the information in the 2003 Quarterly Statement blank filed with the insurer's domiciliary state insurance department. In addition, the diskettes have been scanned through a virus detection software package, and no viruses are present on the diskettes. The virus detection software used was (name):

(version number):

(Signed)

Type Name and Title:

NAIC Company Code 95749  
NAIC Group Code 1253

Reporting Entity Name Preferred Health Partnership of Tennessee, Inc.  
Domiciled in Tennessee (State)  
Mailing Address: 1420 Centerpoint Blvd., Knoxville, TN 37932  
Annual Statement Contact: Melissa R Anderson (865)670-7282 manders1@covhlth.com  
(Name) Telephone No. E-mail Address

In the Matter of the Quarterly Statement  
(Annual/Quarterly)  
Filing Required for the Period Ending on the  
30th day of June, 2003  
Mailing Date: 09/02/2003

} AFFIDAVIT OF FILING  
AND FINANCIAL  
STATEMENT ATTESTATION

The officers of the above identified reporting entity, being duly sworn, each depose and say that on the mailing date above, a true and correct statement for the reporting period stated above and that the corresponding true and correct electronic file reflecting the statement for the above named reporting entity, has been sent to the National Association of Insurance Commissioners, according to their instructions. The statement and the corresponding electronic file are an exact and complete duplicate of the statement filed with the reporting entity’s domestic state, except as to schedules, exhibits and information required to be submitted only to the reporting entity’s domestic state.

Additionally, the officers of the above identified reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that for the reporting period stated above, all of the described assets in the above referenced statement were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as therein stated, and that the statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended on that date, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual, except to the extent that (1) state law may differ; or (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)  
Lance K. Hunsinger  
(Printed Name)  
President

(Signature)  
Lance K. Hunsinger  
(Printed Name)  
Chief Financial Officer

(Signature)  
Jeffery S. Collake  
(Printed Name)  
Secretary

(Signature)  
(Printed Name)  
Witness

Subscribed and sworn to before me this  
 day of , 2003

(Notary Signature)  
My Commission Expires: